

TOP SECRET

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TOP SECRET

S U M M A R Y

GENERAL

1. Poland may call conference on European security (page 3).

FAR EAST

2. Popular discontent reported in southeast China (page 3).

SOUTHEAST ASIA

3. Viet Minh reinforcements reported on way to Dien Bien Phu (page 4).

SOUTH ASIA

4. Comment on India's new threats to annex French and Portuguese colonies (page 5).

NEAR EAST - AFRICA

5. Comment on Israeli raid on Jordan (page 6).
6. UN observers expect breakdown of Israeli-Syrian armistice commission (page 6).
7. Comment on Egyptian situation (page 7).
8. British agree to negotiate compensation agreement with Iran (page 8).

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GENERAL

1. Poland may call conference on European security:

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The Polish embassy counselor in Paris has stated privately that his government intends to call a conference on European collective security.

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Poland will issue invitations prior to the Geneva conference to key West European governments, the USSR, and the Satellites, including East Germany. The agenda of the conference would also include discussion of the Oder-Neisse line.

The invitation would be timed to strengthen anti-EDC forces in Western Europe before the Geneva conference. The meeting would also be used to build up the international status of East Germany.

Comment: There is no chance that Western European governments would agree to any conference such as that described in this report.

This is the first report that Poland may propose a conference of this sort. Poland has been given a leading role in supporting Soviet policy toward Western Europe.

A European collective security arrangement has become a major theme of Orbit-wide propaganda since Molotov's proposal at the Berlin conference, but except by the Poles there has been no reference to the Oder-Neisse question.

FAR EAST

2. Popular discontent reported in southeast China:

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in Fukien and Kwangtung provinces report "widespread" peasant resentment at tightening Communist controls, particularly

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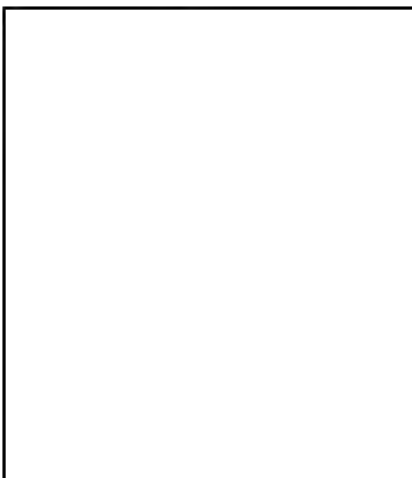
in regard to foodstuffs. In all three towns, furthermore, many people welcomed and read Chinese Nationalist leaflets offering hope of liberation. One source warned, however, that such leaflets will eventually lose their value unless followed by action.

Comment: Peiping has instituted harsh measures to speed its current "transition to socialism," despite knowledge that popular resentment would increase. The Chinese Communists appear confident that such resentment cannot find effective expression.

SOUTHEAST ASIA

3. Viet Minh reinforcements reported on way to Dien Bien Phu:

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[redacted] has identified about 3,000 Viet Minh troops moving toward Dien Bien Phu from a training area north of the Tonkin delta, according to Ambassador Heath in Saigon. It has another report of 10,000 reinforcements commencing a long march from a point southwest of the delta, but this group's progress is being slowed by heavy rains. The French also state that the Viet Minh in the Dien Bien Phu area is requesting medical supplies for the month of May.

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The problem of French wounded at Dien Bien Phu grows more serious daily, with 300 now awaiting evacuation. The present rate of 70 wounded daily is far in excess of evacuation capabilities. General Navarre told the American consul in Hanoi that the Viet Minh apparently believes that this might force him to yield for humanitarian reasons. He stated, however, that he would not do so "even if I had 3,000 wounded."

Comment: The reinforcements reportedly en route to Dien Bien Phu presumably are recent recruits, not regular forces formerly deployed around the delta perimeter. The latter, according to the French, are now all inside the delta.

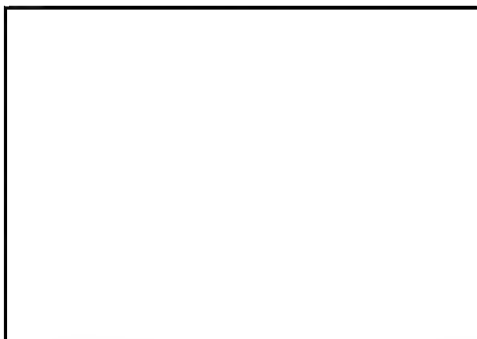
- 4 -

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SOUTH ASIA

4. Comment on India's new threats to annex French and Portuguese colonies:

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India's latest campaign to annex the four French and three Portuguese territories remaining on the subcontinent coincides with French preoccupation with Indochina and is apparently generating greater pressure than past attempts.

Municipal councils in French Pondichery and Karikal have passed resolutions demanding merger, and French ambassador Ostorog stated on 27 March that he is convinced India could now win a plebiscite in Pondichery.

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On 25 March Prime Minister Nehru again declined the French offer to hold a plebiscite, claiming that events in the French territories are ample evidence of the popular will and insisting on a de facto transfer of power immediately.

The Portuguese have permitted no popular demonstrations, have arrested pro-Indian agitators, and adamantly refuse to discuss the subject with New Delhi. On 26 March, however, India announced further restrictions on the movement of Portuguese officials across Indian territory, and New Delhi has the power to make the position of the Portuguese economically untenable at any time.

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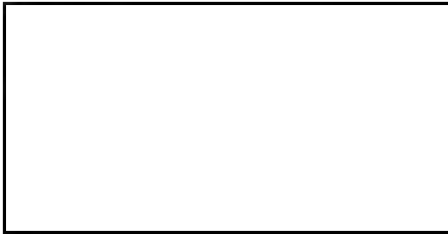
[redacted] the fact that the Lisbon press for the first time is publicizing the problem, indicate that Portugal is now more seriously concerned by India's actions than ever before.

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NEAR EAST - AFRICA

5. Comment on Israeli raid on Jordan:

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Premier Sharett's description of Israel's attack on the Jordan village of Nahalin on 28-29 March as a "local affair" is apparently aimed at avoiding official responsibility even though he admitted Israeli citizens were involved. The local army command must almost

certainly have condoned the raid, regardless of which Israeli elements conducted it, since the area south of Jerusalem in which it occurred is well populated and presumably adequately patrolled.

There is little likelihood that this raid will provoke formal retaliatory action by the Jordanian armed forces, since Jordan is aware of Israeli military superiority.

The attack on Nahalin may have served as an outlet for some of the strong popular wrath in Israel over the Negev bus incident. By this action and by Sharett's quick admission, however, Israel has weakened its position in international circles. Under these circumstances, it can hardly afford in the immediate future to risk serious involvement of its armed forces in frontier clashes.

6. UN observers: expect breakdown of Israeli-Syrian armistice commission:

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UN observers in Israel believe Syria will ask the Israeli-Syrian Mixed Armistice Commission to review its decision of 15 March prohibiting Syria's access to Lake Tiberias, according to the

American army attaché in Tel Aviv. The commission meets again on 31 March.

They also expect that Israel will walk out of the meeting if Syria succeeds in having the decision reviewed; otherwise, Syria will walk out.

The attaché disagrees with the view of the UN observers that hostilities are imminent.

Comment: Many Western authorities consider the commission's decision to be a mistake which, if not corrected, will create as much trouble on the Israeli-Syrian border as there has been on the Israeli-Jordanian border. Israel, however, is insisting on implementation of the decision.

Suspension of the commission's meetings, coming on the heels of Israel's boycott of the Israeli-Jordanian commission, adds significantly to the current seriousness of the Palestine dispute.

7. Comment on Egyptian situation:

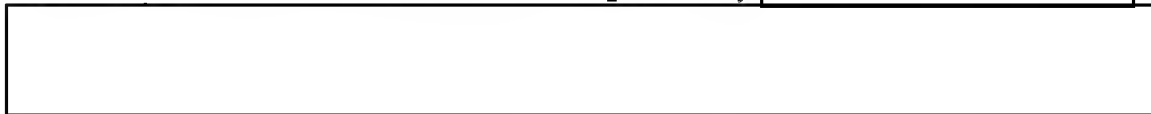
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The Revolutionary Command Council's announcement canceling the June elections of a constituent assembly and its own dissolution on 24 July is a major victory for Colonel Nasr and his supporters in their month-long struggle for power with General Nagib.

The council's determination to reassert its authority, by force if necessary, followed its realization that drastic action was required to preserve its position, [redacted]

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The announcement, following three days of confused political maneuvering and conferences between the two factions, re-establishes the council as the supreme authority in Egypt and represents a setback to the forces demanding an early return to parliamentary government.

[redacted]

Nagib's reported collapse and the apparent consolidation of the army behind the "revolution" make it unlikely that he will attempt to challenge the council again at this time. The confusion created by the internal power struggle is such that extremist elements may still seize the opportunity to create new trouble.

8. British agree to negotiate compensation agreement with Iran:

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[redacted]

Senior Foreign Office officials have agreed that the amount of compensation to be paid to the Anglo-Iranian Oil Company by Iran should be negotiated by the British and Iranian governments or decided by arbitration. The amount, to be paid over 20 years, is to be between a maximum of \$280,000,000 and a still-undetermined minimum as payment for certain AIOC assets that will not be recovered under the proposed consortium agreement.

This method of disposing of the compensation question is dependent on Iranian willingness to make a 50-50 profit-sharing arrangement with the consortium and is to be an integral part of any final settlement.

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[redacted]

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